

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

(A Component unit of the West Baton Rouge Parish Council)

FINANCIAL STATEMENTS AND SUPPLEMENTAL MATERIAL

June 30, 2010 and 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

2/2/11

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**WATERWORKS DISTRICT NUMBER 4
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

The Management of Water Works District Number 4 of West Baton Rouge Parish (the District) has prepared this Discussion and Analysis. The Discussion and Analysis presents a narrative overview and analysis of the District's financial activities as of and for the year ended June 30, 2010. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- * The District's assets exceeded its liabilities at the close of fiscal year 2010 by \$3,443,163 which represents a 7.1% increase from last fiscal year. Of this amount, \$1,976,352 (unrestricted net assets) may be used to meet the District's ongoing obligations to its customers.
- * The District's operating income decreased by \$36,985 (or 19.3%) but net assets increased by \$227,880. The decrease in operating income was the result of increased expenses mainly for system repairs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts: Management Discussion and Analysis, basic financial statements and supplementary information. This Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements present information for the District and is designed to make the statements easier to understand. The basic financial statements consists of the District's financial statements and notes to the financial statements.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheets, Statements of Revenues and Expenses, Statements of Changes in Net Assets, and Statements of Cash Flows.

The Balance Sheet presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

**WATERWORKS DISTRICT NUMBER 4
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

BASIC FINANCIAL STATEMENTS - CONTINUED

The Statement of Revenues and Expenses and the Statement of Changes in Net Assets present information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 2,365,441	\$ 2,243,564	\$ 2,028,293
Capital assets	<u>2,161,009</u>	<u>2,123,495</u>	<u>2,167,975</u>
Total assets	\$ <u>4,526,450</u>	\$ <u>4,367,059</u>	\$ <u>4,196,268</u>
Other liabilities	\$ 164,715	\$ 180,697	\$ 159,727
Long-term debt liabilities	<u>918,572</u>	<u>971,079</u>	<u>1,020,982</u>
Total liabilities	<u>1,083,287</u>	<u>1,151,776</u>	<u>1,180,709</u>
Net assets:			
Invested capital assets, net of debt	1,238,760	1,151,126	1,148,790
Restricted	228,051	223,258	218,363
Unrestricted	<u>1,976,352</u>	<u>1,840,899</u>	<u>1,648,406</u>
Total net assets	<u>3,443,163</u>	<u>3,215,283</u>	<u>3,015,559</u>
Total liabilities and net assets	\$ <u>4,526,450</u>	\$ <u>4,367,059</u>	\$ <u>4,196,268</u>

**WATERWORKS DISTRICT NUMBER 4
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

FINANCIAL ANALYSIS OF THE ENTITY - CONTINUED

Restricted net assets represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net assets are those that do not have any limitations for which these amounts may be used.

Net assets of the District increased by \$227,880 or 7.1%, from June 30, 2009 to June 30, 2010.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 647,944	\$ 634,258	\$ 598,664
Operating expenses	<u>494,175</u>	<u>443,504</u>	<u>425,546</u>
Operating income (loss)	153,769	190,754	173,118
Non-operating revenues (expenses)	(5,726)	8,970	13,952
Contributions and Transfers	<u>79,837</u>	<u>-0-</u>	<u>35,134</u>
Net increase (decrease) in net assets	\$ <u>227,880</u>	\$ <u>199,724</u>	\$ <u>222,204</u>

CAPITAL ASSET AND DEBT ADMINISTRATIONS

Capital Assets

As of June 30, 2010, the District had \$2,161,009, net of accumulated depreciation, invested in capital assets, including land, right of ways, and plant and distribution system. This amount represents a net increase (including additions, deductions and depreciation) of \$37,514, or 1.8%, more than last year.

**WATERWORKS DISTRICT NUMBER 4
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Capital Assets - Continued

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Plant and Distribution System	\$ 4,475,773	\$ 4,333,582	\$ 4,273,264
Less Accumulated Depreciation	<u>2,314,764</u>	<u>2,210,087</u>	<u>2,105,289</u>
Net of Accumulated Depreciation	\$ <u>2,161,009</u>	\$ <u>2,123,495</u>	\$ <u>2,167,975</u>

This year's significant capital additions included above were:

* Distribution systems	\$ 116,081
* Land	\$ 26,110

The District purchased land for a new well site. The district plans to start drilling a new well in the next fiscal year. The well is needed to adequately service the needs of the District's customers. The total cost of the well is not expected to exceed \$600,000 and will be paid for with District funds.

Debt

The District had \$922,249 in bonds outstanding at year-end, compared to \$972,369 last year, a decrease of 5.1%. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue Bond	\$ 922,249	\$ 972,369	\$1,019,185

The District's Water Works Revenue Bond dated July 8, 1982 is unrated.

**WATERWORKS DISTRICT NUMBER 4
OF WEST BATON ROUGE PARISH, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

CONTACTING THE DISTRICT'S MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pam Keowen, Secretary, Waterworks District Number 4 of West Baton Rouge Parish Louisiana. Ms. Keowen can be reached by phone at (225) 336-2406.



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT

(A PROFESSIONAL CORPORATION)

Independent Auditor's Report

To the Board of Commissioners
Water Works District Number 4
of West Baton Rouge Parish, Louisiana
Port Allen, Louisiana

I have audited the financial statements of Water Works District Number 4 of West Baton Rouge Parish, Louisiana, a component unit of the West Baton Rouge Parish Council, as of and for the years ended June 30, 2010 and 2009 listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Water District. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Water Works District Number 4, of West Baton Rouge Parish as of June 30, 2010 and 2009. And the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In the course of my audit, nothing came to my attention that caused me to believe there has been any lack of compliance with the accounting or reporting requirements of the bond ordinance under which outstanding revenue bonds have been issued.

-I-

Water Works District Number 4

In accordance with Government Auditing Standards, I have issued my report dated December 9, 2010 on my consideration of the Water Works District Number 4 of West Baton Rouge Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis information on pages i through v, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Water Works District Number 4 of West Baton Rouge Parish, Louisiana. Such information, except for the Schedule of Insurance Coverage and Operating Statistics marked "unaudited", on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to such financial statements taken as a whole.


Certified Public Accountant
(A Professional Corporation)

December 9, 2010
Baton Rouge, Louisiana

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

BALANCE SHEETS

June 30, 2010 and 2009

A S S E T S

2010

2009

Current Assets

Cash	\$ 1,207,815	\$ 1,113,418
Accounts receivable (net of allowance for bad debts of \$1,000)	108,559	107,123
Interest receivable	4,157	2,069
Prepaid insurance	8,304	8,451

Total Current Assets

1,328,835

1,231,061

Restricted Assets

Revenue Bond Restricted Funds
(See Page 20)

325,580

320,732

Investments

690,369

662,393

Water System

At cost, net of accumulated depreciation

2,161,002

2,123,495

Other Assets

Unamortized debt issuance expense

20,657

22,378

Total Assets

\$ 4,526,450

\$ 4,367,059

LIABILITIES AND NET ASSETS

2010

2009

Current Liabilities (Payable from current assets)

Accounts payable and accrued expenses	\$ 8,183	\$ 18,692
Intergovernmental payables	59,003	64,531

Total Current Liabilities

67,186

83,223

Current Liabilities (Payable from restricted assets)

Accrued interest payable

45,354

47,686

Revenue bond payable-Current

52,175

49,788

Total Current Liabilities Payable from Restricted Assets

97,529

97,474

Long-Term Liabilities

Revenue bond payable-net of current portion due to Public Utility-relocation

870,074

922,581

Total Long-Term Liabilities

918,572

971,072

Total Liabilities

1,083,287

1,151,776

Net Assets

Investment in capital assets, net of related debt
Restricted for debt service
Unrestricted

1,238,760

1,151,126

228,051

223,258

1,976,352

1,840,892

Total Net Assets

3,443,163

3,215,283

Total Liabilities and Net Assets

\$ 4,526,450

\$ 4,367,059

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Balance - Beginning of the year	\$ 3,215,283	\$ 3,015,559
Net income for the year	<u>227,880</u>	<u>199,724</u>
 Balance - End of the year	 \$ <u>3,443,163</u>	 \$ <u>3,215,283</u>
 Net assets at June 30, 2010 and 2009 consist of the following:		
Invested in capital assets, net of related debt	\$ 1,238,760	\$ 1,151,126
Restricted for debt service	228,051	223,258
Unrestricted	<u>1,976,352</u>	<u>1,840,899</u>
 Balance - End of the year	 \$ <u>3,443,163</u>	 \$ <u>3,215,283</u>

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF REVENUES AND EXPENSES

For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Operating Revenues</u>		
Water sales	\$ 596,238	\$ 579,841
Penalties	12,353	11,355
Connection charges	14,875	22,875
Service charges	11,590	6,645
Collection fees	11,228	9,914
Bad debt recovery	709	851
Miscellaneous	<u>951</u>	<u>2,777</u>
Total	_ 647,944	_ 634,258
 <u>Operating Expenses</u>		
Per diem expense	2,880	3,120
System operating charges	156,697	154,807
System rental	1,348	1,453
Depreciation	104,677	104,798
Electricity	43,244	44,336
Meter and system repairs and supplies	138,556	92,817
Insurance	10,705	11,473
Postage - office expense	7,231	6,732
Telephone	560	446
Secretarial expense	3,438	3,438
Miscellaneous	9,017	5,182
Bad debt expense	4,181	3,822
Professional fees	10,402	9,248
Billing supplies	<u>1,239</u>	<u>1,832</u>
Total	_ 494,175	_ 443,504
 Operating Income	_ 153,769	_ 190,754

(Continued)

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF REVENUES AND EXPENSES - Cont'd

For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Income from the preceding page	\$ <u>153,769</u>	\$ <u>190,754</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest earned	28,975	39,474
Interest expense	(46,088)	(48,591)
Amortization of debt issuance expense	(1,721)	(1,721)
Investment expense	(3,280)	(3,111)
Investment gains (losses)	<u>16,388</u>	<u>22,919</u>
Total	<u>(5,726)</u>	<u>8,970</u>
Net income before Con- tributions and Transfers	148,043	199,724
<u>Capital Contributions and Transfers</u>	<u>79,837</u>	<u>-0-</u>
Increase in net assets	\$ <u>227,880</u>	\$ <u>199,724</u>

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2010 and 2009

Increase (Decrease) in Cash and Cash Equivalents

	<u>2010</u>	<u>2009</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 634,329	\$ 601,761
Other receipts	12,179	12,691
Collected for other entities	552,959	477,419
Payments to suppliers	(399,070)	(314,234)
Per diem & secretarial expense	(6,318)	(6,558)
Payments to other entities	<u>(552,959)</u>	<u>(477,419)</u>
Net cash provided by operating activities	_ <u>241,120</u>	_ <u>293,660</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(62,354)	(60,318)
Principal paid on revenue bond maturities	(50,120)	(46,816)
Interest paid on revenue bonds	<u>(48,420)</u>	<u>(51,725)</u>
Net cash used for capital and related financing activities	<u>(160,894)</u>	<u>(158,859)</u>
Cash provided before investing activities	80,226	134,801

(CONTINUED)

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS - (Cont'd)

For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash provided before investing activities - from the preceding page	\$ <u>80,226</u>	\$ <u>134,801</u>
<u>Cash Flows from Investing Activities</u>		
Interest and dividends on investments	26,887	43,345
Investment expenses	(3,280)	(3,111)
Proceeds from sale and redemption of securities	482,414	368,021
Purchase and adjustments of securities	<u>(487,002)</u>	<u>(379,112)</u>
Net cash provided by investing activities	<u>19,019</u>	<u>29,143</u>
Net increase in cash and cash equivalents	99,245	163,944
Cash and cash equivalents at the beginning of the year	<u>1,434,150</u>	<u>1,270,206</u>
Cash and cash equivalents at the end of the year	\$ <u>1,533,395</u>	\$ <u>1,434,150</u>

Cash and cash equivalents are shown as follows on the balance sheet:

Cash	\$ 1,207,815	\$ 1,113,418
Restricted assets	<u>325,580</u>	<u>320,732</u>
Total	\$ <u>1,533,395</u>	\$ <u>1,434,150</u>

Noncash Investing, Capital, and Financing Activities:

Noncash Capital and Financing Activities consisted of capital assets contributed valued at \$79,837 in 2010.

(CONTINUED)

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS - (Cont'd)

For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Reconciliation of Operating Income to</u> <u>Net Cash Provided by Operating</u> <u>Activities:</u>		
Operating income	\$ <u>153,769</u>	\$ <u>190,754</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	104,677	104,798
(Increase) Decrease in assets:		
Accounts receivable	(1,436)	(19,806)
Prepaid insurance	147	(3,103)
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(10,509)	9,685
Inter governmental payables	<u>(5,528)</u>	<u>11,332</u>
Total adjustments	<u>87,351</u>	<u>102,906</u>
Net cash provided by operating activities	\$ <u>241,120</u>	\$ <u>293,660</u>

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

Introduction

Water Works District Number 4 operates a water system serving residences and businesses in parts of West Baton Rouge Parish. The Water District extends credit to its customers. The district does not require its customers to furnish collateral for their accounts.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review of Subsequent Events

Management has evaluated subsequent events through December 9, 2010, the date these financial statements were available to be issued.

Basis of Presentation

The financial statements of the Water Works District Number 4 of West Baton Rouge Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The Financial Accounting Standard Board (FASB) and the Accounting Principles Board are the accepted standard setting body for establishing accounting and financial reporting standards for entities other than governmental units. The Water District applies all FASB pronouncements and APB opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Water Works District Number 4 of West Baton Rouge Parish includes all funds, account groups, et cetera, that are within the oversight responsibility of the Water District. Based on the criteria set forth in GASB Statement No. 14, the Water District is a component unit of the West Baton Rouge Parish Council. The basis criteria is the Council's

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2010 and 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

ability to exercise oversight responsibility. The Parish Council appoints the members of the Water District's board of commissioners and approves the District's budget.

Other criteria used to determine if a governmental unit is a component unit are financial interdependency, designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based on all the criteria set forth the Water Works District Number 4 of West Baton Rouge Parish has no component units.

Enterprise Fund

Water Works District Number 4 is operated as an enterprise fund, and as such employs the accrual method of accounting. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water System

All assets are recorded at original cost. Interest costs incurred during and related to construction are capitalized. Depreciation is recorded on all exhaustible fixed assets over their estimated useful lives using the straight-line method. The service life of the water system is 25 to 50 years. Equipment used in providing water service is depreciated over 4 to 10 years.

Deferred Expenses

The cost of issuing the Water Works Revenue Bond is being amortized over the term of the bond issue using the straight-line method.

Investment Securities

Investment securities are carried at fair market value as required by GASB Standards.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2010 and 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Statement of Cash Flows

For purposes of the statement of cash flows, Water Works District Number 4 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The Water District does not consider its investment in debt securities or any funds held by its brokers as cash equivalents (See Note 4).

Long-Term Liabilities

Long-term liabilities are recognized within the Enterprise Fund.

Net Assets

Net assets is the difference between assets and liabilities. Net assets are reported in three categories.

Investment in capital assets, net of related debt - This category represents net assets invested in capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

Reserved for debt service - This represents those portion of net assets legally segregated as required by the bond indenture for the outstanding bonds of the District.

Unrestricted - This represents that portion of net assets that have no restrictions on their use.

Organization

Water Works District Number 4 was established to construct and acquire a complete water system for the benefit of the residents and customers of the Water Works District as designated by the West Baton Rouge Parish Council. The Water Works District was granted a franchise to operate by the Parish Council in February, 1982. Water sales began in July, 1982.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2010 and 2009

NOTE 2. CASH AND CASH EQUIVALENTS

Cash is shown on the balance sheet under current assets and restricted assets. The carrying value of cash on deposit with financial institutions on June 30, 2010 was \$1,533,395. These deposits are stated at cost, which approximates market.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2010, the bank balances of the Districts' deposits were \$1,551,978. These deposits are secured from risk by \$250,000 of federal deposit insurance and \$1,324,048 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Standards, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3. RESTRICTED ASSETS

The restricted assets are accounts required to be maintained under the terms of the bond indenture of the outstanding Water Works Revenue Bond dated July 8, 1982. They are as follows:

- A) The Revenue Bond Sinking Fund is to be used for paying principal and interest due on the Water Works Revenue Bond. Monthly deposits are required to be made into the account sufficient to pay principal and interest when due. Balances at June 30, 2010 and 2009 were \$100,992 and \$100,992, respectively.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2010 and 2009

NOTE 3. RESTRICTED ASSETS - (Cont'd)

- B) The Revenue Bond Reserve Fund is to be used solely for the purpose of paying the principal and interest on bonds payable from the Revenue Bond Sinking Fund which would otherwise be in default. Balances at June 30, 2010 and 2009 were \$98,540 and \$98,540, respectively. As of June 30, 2010 and 2009, this fund was adequately funded.
- C) The Depreciation and Contingency Fund is to be used to pay for any unforeseen repairs to the system. Balances at June 30, 2010 and 2009 were \$126,048 and \$121,200 respectively. As of June 30, 2010 and 2009, this fund was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$325,580 and \$320,732 at June 30, 2010 and 2009, respectively.

NOTE 4. INVESTMENTS

At June 30 the Water District had investments as follows:

	Fair Value Carrying Amount	Cost
<u>2010:</u>		
Various U. S. Treasury obligations, .0875% to 4.25%, due between 12/10 and 2/20	\$ 259,908	\$ 256,579
Various GNMA pools, 4.5% to 6%, due between 12/28 and 5/39	212,662	201,962
Various FNMA and FHLMC pools, 3.25% to 7%, due between 7/10 and 6/34	174,728	170,782

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2010 and 2009

NOTE 4. INVESTMENTS - (Cont'd)

	Fair Value Carrying <u>Amount</u>	<u>Cost</u>
<u>2010:</u> (Cont'd)		
Money market funds	<u>43,071</u>	<u>43,071</u>
	\$ <u>690,369</u>	\$ <u>672,394</u>
<u>2009:</u>		
Various U. S. Treasury obligations, 8.75% to 9%, due between 11/09 and 11/18	\$ 197,775	\$ 200,773
Various GNMA pools, 4.5% to 6%, due between 12/28 and 6/34	214,181	212,405
Various FNMA and FHLMC pools, 3.75% to 7%, due between 11/10 and 6/34	220,862	218,947
Money market funds	<u>36,575</u>	<u>36,575</u>
	\$ <u>669,393</u>	\$ <u>668,700</u>

CREDIT RISK AND CUSTODIAL RISK.

Investments are limited by state law and the district's investment policy. The investments are held by the Water District's broker in its street name.

INTEREST RATE RISK.

The District's investment policy does not address interest rate risk specifically.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2010 and 2009

NOTE 5. WATER SYSTEM

At June 30 the Water System consisted of the following:

	<u>2010</u>	<u>2009</u>
Water System - Cost	\$ 4,475,773	\$ 4,333,582
Accumulated depreciation	<u>(2,314,764)</u>	<u>(2,210,087)</u>
Water System Net of Accumulated Depreciation	\$ <u>2,161,009</u>	\$ <u>2,123,495</u>

NOTE 6. REVENUE BOND PAYABLE

The Revenue Bond payable at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
\$1,662,000 Water Works Revenue Bond dated July 8, 1982, serviced by General Electric Credit Corpora- tion for private investors; interest at 5%. Annual payments of \$98,540. Principal and interest to be paid from the income and revenue derived from the operation of Water Works District Number 4.	\$ 922,249	\$ 972,369
Less current portion	<u>52,175</u>	<u>49,788</u>
Balance	\$ <u>870,074</u>	\$ <u>922,581</u>

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2010 and 2009

NOTE 6. REVENUE BOND PAYABLE - (Cont'd)

The annual requirements to amortize the revenue bond payable as of June 30, 2010, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 52,175	\$ 46,365	\$ 98,540
2012	55,036	43,504	98,540
2013	57,676	40,864	98,540
2014	60,672	37,868	98,540
2015	63,706	34,834	98,540
2016-2022	<u>632,984</u>	<u>149,716</u>	<u>782,700</u>
Totals	\$ <u>922,249</u>	\$ <u>353,151</u>	\$ <u>1,275,400</u>

NOTE 7. CONTRIBUTED CAPITAL

Contributed Capital consisted of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Federal grant	\$ 600,000	\$ 600,000
Parish council	18,725	18,725
Contributed by developers and others	<u>136,191</u>	<u>56,354</u>
	\$ <u>754,196</u>	\$ <u>675,079</u>

On the balance sheet contributed capital is presented as a component of net assets invested in capital assets.

NOTE 8. WATER SYSTEM AGREEMENT

Water Works District Number 4 leases several water systems from the West Baton Rouge Parish Public Utility under a local services agreement entered into February, 1982. The lease expired in prior years. The District has continued to lease the water systems on a month to month basis since the expiration of the lease.

System rental expense on the leased water systems was \$1,251 for 2010 and 2009, respectively. The system rental expense payable at June 30, 2010 and 2009 totaled \$2,983 for both years and is included in Intergovernmental Payables on the balance sheet.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2010 and 2009

NOTE 8. WATER SYSTEM AGREEMENT - (Cont'd)

A separate operating agreement requires the Public Utility to operate the systems it leases to the Water Works District. The agreement also provides for the Public Utility to operate any additional water systems acquired or constructed by the Water Works District. The operating agreement's term coincides with that of the local services agreement described above.

Fees under the operating agreement are based on the Water System's proportionate share of the Public Utility's office, administrative, operating and maintenance expenses. The Public Utility billed Water Works District Number 4 a total of \$156,646 from July 1, 2009 to June 30, 2010 and \$154,807 from July 1, 2008 to June 30, 2009. Of these amounts, \$13,114 and \$12,945 were payable at June 30, 2010 and 2009, respectively.

The Public Utility also bills the Water Works District for services not covered by the operating agreement. During the current year, the District was billed \$82,247 for these services. Of that amount, \$34,593 was capitalized and \$47,654 was expensed. The Water District owed \$5,483 and \$11,635 to the Public Utility for these services at June 30, 2010 and June 30, 2009, respectively. During the year ended June 30, 2009, the District was billed \$103,660 by the Public Utility; \$51,790 capitalized and \$51,870 was expensed.

All amounts owed to the Public Utility, under the various agreements discussed above, are included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

In addition to the regular services provided for under the operating agreement, the Public Utility assisted the Water District in relocating some of its water lines during the year ended June 30, 1991. The relocation was required by the Louisiana Department of Transportation. Total cost of relocating the Water District's lines was \$48,498. That amount was unpaid at June 30, 2010 and 2009 and is shown in the Other Liabilities section of the Balance Sheet.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2010 and 2009

NOTE 9. GARBAGE FEE SERVICE AGREEMENT

Water Works District Number 4 entered into a joint services agreement with the Parish Council during 1986 whereby the District bills and collects a garbage collection fee on behalf of the Parish Council. The District retains thirty-three cents per customer every month to cover its billing expenses (classified as Collection Fees on the Statement of Revenue and Expenses). The remainder is remitted to the Parish Council as collected. At June 30, 2010 and 2009, the District had collected but not remitted \$25,495 and \$24,947, respectively, to the Parish Council. This payable is included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

NOTE 10. SEWER FEE SERVICE AGREEMENT

Water Works District Number 4 entered into a joint services agreement with the Parish Council during 1987 whereby the District bills and collects sewer user fees for sewer systems within the District on behalf of the Parish Council and remits the fees to the Parish Council. In consideration for the collection of sewer user fees by the District, the Parish Council, through its Utility Systems, operates and maintains the sewer plants and systems located within Water Works District Number 4. At June 30, 2010, the District had collected but not remitted \$11,928 to the Parish Council (\$12,021 at June 30, 2009). This payable is included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 2010 and 2009

NOTE 11. RISK MANAGEMENT

The Water District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The District purchases commercial insurance policies at levels which management believes is adequate to protect the District. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

NOTE 12. PLANED CONSTRUCTION OF NEW WATER WELL

During the current year the Board of the Water District identified the need for a new water well to adequately service the District's customers. During the year ended June 30, 2010 land was purchased for the new well site. After the end of the year, the District entered into an engineering contract for the new well. The total cost of the new well, including engineering costs, is expected to be between \$450,000 and \$600,000. The cost is going to be paid with the District's own funds.

SUPPLEMENTARY INFORMATION

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF CHANGES IN RESTRICTED ASSETS

For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Water Works Revenue Bond</u> <u>Restricted Funds</u>		
Beginning Balance	\$ 320,732	\$ 315,884
Additions:		
Transfer from Revenue account	<u>103,388</u>	<u>103,388</u>
Total Cash Available	<u>424,120</u>	<u>419,272</u>
Disbursements:		
Bond principal paid	50,121	46,816
Bond interest paid	<u>48,419</u>	<u>51,724</u>
Total Disbursements	<u>98,540</u>	<u>98,540</u>
Balance, June 30, Cash with American Gateway Bank	\$ <u>325,580</u>	\$ <u>320,732</u>

The restricted cash account was adequately funded as of
June 30, 2010 and 2009.

Interest earned on restricted cash funds is not required to
be restricted.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

OPERATING STATISTICS (UNAUDITED)

For the years ending June 30, 2010 and 2009

Water Works District Number 4 was serving 2,317 and 2,287 customers at June 30, 2010 and 2009, respectively.

Operations of Water Works District Number 4 for the years ending June 30, 2010 and 2009 are reflected in the following statistical data:

	<u>2010</u>	<u>2009</u>
Water sales	\$ 596,238	\$ 579,841
M gallons of water sold	317,493	310,449
Total number of customers' billings	27,685	27,351
Average number of customers billed per month	2,307	2,279
Average monthly revenue per customer \$	21.54	\$ 21.20
Average revenue per M gallons	\$ 1.88	\$ 1.72

(UNAUDITED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF CHANGES IN WATER SYSTEM

For the years ending June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cost at July 1	\$ 4,333,582	\$ 4,273,264
System additions	<u>142,191</u>	<u>60,318</u>
Cost at June 30	\$ <u>4,475,773</u>	\$ <u>4,333,582</u>

All additions shown above were made with the system's own funds, with the exception of a \$79,837 contribution from developers and another governmental unit in 2010.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF PER DIEM PAYMENTS

For the year ending June 30, 2010

The following amounts of per diem were paid to the members of the governing authority of Water Works District Number 4 for the year ended June 30, 2010:

	<u>Number of Meetings</u>	<u>Amount</u>
Wanda Webre	13	\$ 780
Alvin McIn	2	100
Jan Landry	12	600
Beth Ponce	13	650
Joe Webb	12	600
Jerry King	3	<u>150</u>
Total		\$ <u>2,880</u>

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

INSURANCE COVERAGE (UNAUDITED)

June 30, 2010

Insurance and fidelity bond coverage on June 30, 2010 was as follows:

<u>Expiration</u>	<u>Insurer</u>	<u>Coverage</u>
February 1, 2011	St. Paul Fire & Marine Insurance Company	Commercial general liability \$2,000,000 aggregate; \$2,000,000 aggregate completed operations; advertising and personal injury \$1,000,000; each occurrence limit \$1,000,000; rented premises limit \$100,000 any one fire; and medical expense limit \$5,000 any one person.
February 1, 2011	St. Paul Fire & Marine Insurance Company	Commercial property coverage on two water towers, (\$500,000 and \$547,680), \$50,000 deductible, 90% coinsurance.
August 9, 2010	Western Surety Co.	Position schedule bond on President and Secretary/Treasurer, \$368,000 each.
February 23, 2011	Western Surety Co.	Fidelity bond on Secretary/Treasurer, \$5,000.
February 23, 2011	Western Surety Co.	Fidelity bond on President, \$5,000.

(UNAUDITED)



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT

(A PROFESSIONAL CORPORATION)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Water Works District Number 4
of West Baton Rouge Parish, Louisiana
Port Allen, Louisiana

I have audited the financial statements of Water Works District Number 4 of West Baton Rouge Parish, a component unit of the West Baton Rouge Parish Council, as of and for the years ended June 30, 2010 and 2009, and have issued my report thereon dated December 9, 2010. I have conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered Water District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Water District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, significant deficiencies, or material deficiencies that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above. However,

as discussed below, I identified certain deficiencies in internal control over financial reporting that I considered to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

DEFICIENCIES

1. An important element in designing an internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records is the concept of segregation of responsibilities. No one person should be assigned duties that would allow that person to commit an error or perpetrate fraud and to conceal the error or fraud. For example, the same person should not be responsible for any two of the following functions:

- 1) Authorization of a transaction;
- 2) Recording of the transaction; and
- 3) Custody of assets involved in the transaction.

Entity Response

Due to the small size of the organization, a proper segregation of duties is not possible with respect to cash transactions. Management believes it is not practical or cost effective to correct this weakness. They have taken steps to compensate for this weakness. This is a repeat finding..

2. The District does not have employees with sufficient expertise and training to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). This is a repeat finding.

Entity Response


The District's management is aware of this condition, and feels hiring an employee with the requisite qualifications would be cost prohibitive. They feel the most cost effective solution is to have their external auditor assist in preparing year end financial statements in accordance with GAAP.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Water Works District Number 4 of West Baton Rouge Parish's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The District management's responses to the deficiencies identified in our audit are described above. I did not audit the District management's responses and accordingly express no opinion on them.

This report is intended solely for the information of the District's management, the District's Board of Commissioners, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.


Certified Public Accountant
(A Professional Corporation)

December 9, 2010
Baton Rouge, Louisiana